

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7246

BILL NUMBER: SB 462

NOTE PREPARED: Jan 19, 2004

BILL AMENDED:

SUBJECT: Certificate of Need.

FIRST AUTHOR: Sen. Dillon

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill establishes a moratorium on the construction of hospitals, ambulatory outpatient surgical centers, and health facilities. The bill establishes a Certificate of Need Committee. It requires the Committee to review Certificate of Need applications. The bill allows the State Department of Health to establish fees for certificate of need applications. It also requires the Committee to submit an annual report to the Health Finance Commission.

Effective Date: Upon passage; July 1, 2004

Explanation of State Expenditures: The bill establishes the 11-member Certificate of Need (CON) Committee consisting of 9 lay members and 2 state employees. The expenses of the Committee are to be paid by the State Department of Health. The expenses of the Committee will be dependent upon the number of meetings and the travel expenses and per diem of the individuals appointed. As a point of reference, Legislative Council resolutions in the past have established budgets for interim study committees ranging from \$6,000 to \$9,000 per interim for committees with fewer than 16 members.

The State Department of Health is charged with providing staff for the Committee. The level of resources and staffing for the Certificate of Need review provisions in the bill are indeterminate at this time. However, the state of Michigan operates an ongoing Certificate of Need program. While the Michigan program appears to require a broader scope of review and the state is larger than Indiana (by approximately 57%), the staffing levels and budgeted expenditures may be indicative of the resources necessary to operate a program. Michigan employs 12 staff members and in FY 2001, the program had total expenditures of \$1.4 M. Of the total expenditures, 52% was funded with fees charged for applications and reviews; the remainder, \$0.7 M, was funded with state General Funds. The bill requires the Department to establish fees at a level to cover the expenses of the program. The implementation of the program will require some level of expenditures prior to any applications with accompanying fees being submitted to the Committee for review. Some level of funding from other sources will be required to provide for the start-up costs of the program.

Explanation of State Revenues: The bill requires the Department of Health to establish fees for the filing of a CON

application and for the review of the application. The fees must be set at a level sufficient to cover the cost of administering the program. The amount of the fees would be dependent upon the number of applications the Department might expect to receive and the anticipated cost of administering the program. While fee income is indeterminate at this time, the Michigan Certificate of Need application fees are:

\$750 for projects costing up to \$150,000;
\$2,750 for projects costing from \$150,000 up to \$1.5 M; and
\$4,250 for projects costing more than \$1.5 M.

In Michigan, the fee revenue raised was \$731,259 in FY 2001; this was 52% of the total program cost that year. Michigan's CON program requires the review of projects involving the acquisition or replacement of specialized medical technologies such as MRI, Lithotripsy, and cardiac catheterization services. This bill requires CON for the replacement or addition of hospitals, outpatient surgical centers, or health facilities only, so fewer applications might be anticipated, requiring less administrative resources but potentially higher fees than those charged in Michigan.

Explanation of Local Expenditures: County-owned hospitals and health care facilities would be subject to the application fees required by this bill.

Explanation of Local Revenues:

State Agencies Affected: Indiana State Department of Health; Family and Social Services Administration.

Local Agencies Affected: County-owned hospitals and health care facilities.

Information Sources: Zach Cattell, Legislative Liaison for the State Department of Health, 317-233-2170; "Certificate of Need Program, Annual Activity Report, October 2000 Through September 2001, (FY 2001) , Michigan Department of Community Health; "Evaluation of Certificate of Need in Michigan, Final Report, by Christopher J. Connover, Ph.D. and Frank A. Sloan, Ph.D., Center for Health Policy, Law and Management, Terry Sanford Institute of Public Policy, Duke University, May 2003.; and the Michigan Department of Community Health, Certificate of Need Application Process at www.michigan.gov/mdch/0,1607,7-132-2945_5106_5406-25566--,00.html

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